

General Fund Summary

FISCAL YEAR 2003

<u>REVENUES</u>	<u>Current Statutory Budget</u>	<u>Governor's Recommendation</u>
1. Beginning Balance	\$ 1,416,200	\$ 1,416,200
2. FY 2003 Revised Executive Revenue Estimate (4.1%)	1,759,608,900	1,759,608,900
Additional Revenue Already Authorized by the Legislature:		
3. Transfer from Budget Stabilization Fund (SB 1517)	26,700,000	26,700,000
4. Deposit portion of FY03 tobacco payment (SB 1517)	10,000,000	10,000,000
5. Transfer from Permanent Building Fund (SB 1517)	7,000,000	7,000,000
6. Transfer from Capitol Endowment Fund (SB 1517)	6,400,000	6,400,000
7. Transfer from Water Pollution Control Fund (HB 693)	3,000,000	3,000,000
8. Transfer from Consumer Protection Fund (HB 218)	1,128,500	1,128,500
Additional Revenue Recommended by the Governor:		
9. Increase sales tax from 5% to 6.5% (effective May 1)	0	18,400,000
10. Additional Transfer from Permanent Building Fund	0	48,013,800
11. Transfer balance of the Millennium Fund	0	44,046,800
12. Additional Transfer from Budget Stabilization Fund	0	8,662,900
13. Deposit remaining portion of the FY 2003 tobacco payment	0	16,953,200
14. Transfer from Risk Management Fund	0	5,000,000
15. Transfers to Deficiency Warrant Funds		(4,646,000)
16. TOTAL REVENUES	\$ 1,815,253,600	\$ 1,951,684,300
<u>APPROPRIATIONS</u>		
17. Original Appropriations	\$ 1,969,311,600	\$ 1,969,311,600
18. 3.5% Holdback (exempt K-12/higher ed/others)	0	(19,481,900)
19. Deficiency Warrant Supplementals	4,646,000	4,646,000
20. CAT Fund Supplemental	3,000,000	3,000,000
21. Corrections Reduction	(2,345,200)	(2,345,200)
22. All Other Supplementals	1,199,800	1,199,800
23. Deficiency Warrant Transfers	(4,646,000)	(4,646,000)
24. TOTAL APPROPRIATIONS	\$ 1,966,966,400	\$ 1,951,684,300
25. <u>ESTIMATED ENDING BALANCE</u>	<u>\$ (151,712,800)</u>	<u>\$ 0</u>

FISCAL YEAR 2004

<u>REVENUES</u>	<u>Agency Budget Request</u>	<u>Governor's Recommendation</u>
26. Beginning Balance	\$ 0	\$ 0
27. FY 2004 Executive Revenue Estimate (4.2%)	1,832,985,900	1,832,985,900
Additional Revenue Recommended by the Governor:		
28. Increase sales tax from 5% to 6.5% (effective May 1)		240,300,000
29. Increase cigarette tax from 28 cents to 62 cents		28,700,000
30. Increases the grocery tax credit \$5 per person		(5,500,000)
31. Transfer to Budget Stabilization Fund per statutory formula		(17,914,600)
32. Transfer to Perm Bldg Fund to restore maintenance projects		(20,758,200)
33. Transfer to Millenium Fund to partially restore corpus		(31,000,000)
34. TOTAL REVENUES	\$ 1,832,985,900	\$ 2,026,813,100
<u>APPROPRIATIONS</u>		
35. FY 2004 Base Ongoing Budget	\$ 1,955,681,100	\$ 1,932,547,400
Inflationary Adjustments		
36. State Employee Health Insurance Increase	7,775,400	8,941,000
37. Inflationary increase in agency operating expenses	19,068,800	8,957,800
38. Replacement Capital Outlay	10,328,800	7,532,800
39. State employee salary increase	5,102,400	0
40. Higher Education Enrollment Adjustment	1,937,200	1,937,200
41. Professional-technical Enrollment Adjustment	2,534,900	725,000
42. Public Schools statutory formula increases	18,996,300	18,996,300
43. Medicaid Caseload adjustment	8,078,600	10,480,900
44. Fund shifts (endowment losses, medicaid match)	14,463,000	13,819,000
45. All other MCO adjustments	5,141,600	4,548,600
46. Subtotal MCO Funding Level	\$ 2,049,108,100	\$ 2,008,486,000
47. Program Enhancements	\$ 59,049,000	\$ 17,389,800
48. Grand Total	\$ 2,108,157,100	\$ 2,025,875,800
49. <u>ESTIMATED ENDING BALANCE</u>	<u>\$ (275,171,200)</u>	<u>\$ 937,300</u>

General Fund Summary

FISCAL YEAR 2003

Fiscal Year 2003, as shown on the facing summary table, is based upon an executive revenue estimate of 4.1% over FY 2002 actual collections (line 2). In addition to the basic revenue projection, the Legislature has already approved the transfer of funds from available cash reserves (lines 3 through 8). **However, in order to balance the budget, the Governor is recommending that the sales tax be temporarily increased from 5% to 6.5% through FY 2006, with an effective date of May 1, 2003.** This will generate about \$18.4 million for the current year and about \$240 million for FY 2004. The Governor is also recommending that additional transfers take place from one-time cash reserves to augment General Fund revenues. These transfers (lines 10 through 14), will basically utilize all the remaining cash reserves available to the state, with the exception of the Budget Stabilization Fund which will have a cash balance of \$17.7 million at the end of the current fiscal year. These additional cash transfers will require Legislative approval. Overall the FY 2003 revenue package recommended by the Governor has about \$178.0 million in one-time monies, which is 9.1% of the total revenues.

On the spending side for FY 2003, the Governor is recommending that selected state agencies take a 3.5% spending cut. Most of Education was exempted from this recommendation including Public Schools, College & Universities, Agricultural Research and Extension, Community Colleges, School for the Deaf and Blind, Health Education Programs, Professional Technical Education and Special Programs. The spending reduction was also modified for the State Library and Medicaid programs, and reflects a 2.6% and 1.1% reduction respectively. All other General Fund agencies will receive the full 3.5% reduction under the Governor's budget recommendation. Further, those reductions for FY 2003 are recommended to be permanent base reductions in FY 2004.

FISCAL YEAR 2004

The Governor's budget recommendation for Fiscal Year 2004 is predicated on a base revenue estimate of 4.2% over the FY 2003 estimate (line 27). In addition, the Governor is recommending a temporary increase in the sales tax from 5.0% to 6.5% which will generate \$240.3 million for FY 2004. The tax increase would expire after FY 2006. He is also recommending an increase in the cigarette tax from 28 cents to 62 cents, which will generate \$28.7 million for FY 2004. Before committing all \$269.0 million in new tax revenue to state expenditures, the Governor is recommending that \$17.9 million be transferred to the Budget Stabilization Fund; \$20.8 million be restored to the Permanent Building Fund for deferred maintenance projects; and \$31.0 million be restored to the Millennium Fund (lines 31 through 33).

On the expenditure side, the Governor's overall budget in the General Fund reflects a 2.9% increase over the FY 2003 original appropriation, and 3.9% increase over FY 2003 after accounting for the 3.5% expenditure reduction for selected agencies. The reason the overall budget increase is relatively modest is that more than two-thirds of the tax increase is required to replace one-time monies used in FY 2003 that are no longer available for FY 2004 (\$180.0 million).

The Governor's budget recommendation includes no funding for salary increases for state employees, nor any inflationary increases other than medical inflation. However the budget does cover basic statutory formula increases in Public Schools with some enhancements for technology, achievement standards and school facilities. The General Fund increase for Public Schools is 2.5% over the FY 2003 appropriation; the increase for Higher education is 4.2%, the increase for Medicaid is 6.6%; and the increase for the Department of Correction is 2.8%. Most of the other agencies in state government would actually receive a decrease from their FY 2003 appropriation under the Governor's budget proposal.